



**Department of Finance and Investment Management**

# **Advanced Property Valuation & Management A**

**PVM8X01/PVM01X7**

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**LAST ASSESSMENT**

**JUNE 2016**

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**Time: 3 hours**

**Marks: 150**

**Assessor:** Mr A Kruger

**Moderator:** Mrs M Serfontein

## **INSTRUCTIONS:**

- The paper consists of 6 pages (front page included).
- Silent, non-programmable calculators may be used.
- Clearly show all calculations.

<b>Question</b>	<b>Topic</b>	<b>Marks</b>	<b>Time</b>
1	Multiple choice questions	25	30 minutes
2	Value different kinds of property with appropriate valuation methodology	50	60 minutes
3	The valuation of shopping centres	25	30 minutes
4	Agricultural properties	50	60 minutes
		<hr/> 150	<hr/> 180 minutes

**QUESTION 1**

**(25)**

- 1) The right of government to take private property for public use with payment of just compensation is known as
  - a) Escheat
  - b) Condemnation
  - c) Titular ownership
  - d) Expropriation
- 2) Gentrification is?
  - a) A class of citizen who live in blighted areas
  - b) A process in which older homes in a neighbourhood are remodelled and different residents replace the lower-income residents
  - c) A group of complementary land uses
  - d) A part of the life cycle of a market area in which property values are stable and the maintenance levels are adequate
- 3) Which of the following items are usually classified as real estate?
  - a) Furniture in an occupied house
  - b) Plumbing fixtures in an occupied house
  - c) Trade fixtures in a factory
  - d) Beds and other furniture in a hotel
- 4) A valuer is developing a real property valuation for a local bank for an improved, owner-occupied restaurant property. The restaurant is a sit-down, white-tablecloth operation with an expensive menu. The owner/applicant thinks his property value is enhanced because of the success of his restaurant within the facility due to his superior menu, so he makes a pitch to the valuer about gross income from food sales. This owner is
  - a) Correct in his pitch because the success of the business will enhance the property value
  - b) Correct in his pitch only if the business shows long-term income growth from food sales
  - c) Incorrect in his pitch because food sales income is considered to be too speculative and difficult to value
  - d) Incorrect in his pitch because the owner is confusing the real estate value with the intangible (business enterprise) value
- 5) A lease?
  - a) Must be for at least one year
  - b) Conveys the right of occupancy to another
  - c) Must include the landlord paying the taxes
  - d) Does not affect the valuer since it does not affect the saleable interest

- 6) Which of the following is an example of a municipal land use regulation?
- a) A lease document signed by the owner and lessee
  - b) A city zoning ordinance
  - c) A city ordinance regulating automobile speed limits on the adjacent street
  - d) A national law focused on employment contracts
- 7) Real property includes?
- a) Any and all building on the subject site
  - b) All interests, benefits and rights inherent in the ownership of property
  - c) The physical land and improvements affixed to the land
  - d) Property that is not artificial
- 8) Investment value is best measured by?
- a) Market price to a specific investor
  - b) Market value to a specific investor
  - c) The cost of acquiring a competitive substitute property with the same utility to a typical purchaser
  - d) The present worth of anticipated future benefits to a specific investor
- 9) In a market value appraisal, land use regulations
- a) Must be researched
  - b) Can be researched
  - c) Should be researched
  - d) Can be ignored if the owner makes a request
- 10) Which of the following affects real estate supply?
- a) Purchasing power
  - b) Desire for real estate
  - c) Current interest rates
  - d) New construction activity
- 11) Which of the following statements is correct with regard to real estate markets?
- a) Supply and demand are always in balance.
  - b) Supply reacts more slowly to changes in the market than demand.
  - c) Price and value are never similar.
  - d) Demand reacts slowly to market changes.

- 12) A mortgage is a?
- a) Document that makes a borrower promise to repay the money
  - b) Document that gives the interest rate and terms of a loan
  - c) Pledge of collateral for a real estate loan
  - d) Pledge of collateral for a car loan
- 13) When a property is not what the market demands, this may violate which economic principle?
- a) Anticipation
  - b) Opportunity cost
  - c) Conformity
  - d) Regression
- 14) A neighbourhood is?
- a) A residential suburb
  - b) An area with similar zoning and density
  - c) A group of complementary land uses
  - d) An area with homes of the same price
- 15) Servitudes are another division of property rights. They usually give the right?
- a) To cross over another person's property without permission
  - b) To access the property to perform a specific service
  - c) To use the property during the term of the lease to a tenant
  - d) To re-enter the property if the payments are not made on time to a lender
- 16) The first step in the valuation process is
- a) Identification of the appraisal problem
  - b) Application of the approaches to value
  - c) Review of market data
  - d) Selection of an appropriate unit of comparison
- 17) Market area life cycles include?
- a) Growth, stability, decline, and revitalization
  - b) Growth, stability, decline, and gentrification
  - c) Growth, stability, appreciation, and decline
  - d) Growth, level off, appreciation, and decline

- 18) A lender asked a valuer to prepare a valuation report on a 2.2-acre site with a proposed single-tenant industrial building. The lender requested a value estimate as of today, which the valuer provided via comparison with vacant land sales. The lender also requested a value opinion as if the structure were completed. This is an example of
- a) An extraordinary assumption if the date of appraisal is today
  - b) A hypothetical condition if the date of appraisal is one year from now
  - c) An unethical appraisal because the building is not in place
  - d) A hypothetical condition if the “as completed” value is dated as of today
- 19) In the valuation process, defining the value estimated is included in the?
- \*a. Definition of the problem section
  - b. Preliminary analysis and data selection and collection
  - c. Highest and best use analysis
  - d. Land value opinion
- 20) Real property consists of?
- a) Rights in property
  - b) Land and all improvements thereon
  - c) The right to use or occupy property
  - d) Single-family residences
- 21) The value of a property to a particular user is known as?
- a) Market equal to cost
  - b) Value in exchange
  - c) Use value
  - d) Leasehold value
- 22) Land valuation techniques include?
- a) Subdivision development, depreciated cost, consensus
  - b) Sales comparison approach, consensus, extraction
  - c) Sales comparison approach, allocation, extraction
  - d) Assessment multipliers, assessor’s opinions, multiple regression multipliers
- 23) Which party does the landlord look to for payment of rent in a sublease arrangement that does not have any other agreement in place?
- a) The sublessee
  - b) The grantor
  - c) The lessee
  - d) The government

- 24) A good's capacity to satisfy human desires or needs is known as?
- a) Creative demands
  - b) Utility
  - c) Functional obsolescence
  - d) Effective demand
- 25) A valuer is asked to prepare an opinion of market value for a property without having access to the interior of the residence. This valuation
- a) Has been limited by the definition of value
  - b) Has been limited by the amount of the fee
  - c) Is unethical and potentially misleading
  - d) Is limited by the scope of work

## **QUESTION 2 (50)**

You received an instruction to determine the market value of Health Training Centre on the Doornfontein Campus of the University of Johannesburg. Describe the process you followed to complete the assignment in detail. Your description should provide reasons and motivations for each decision you took.

## **QUESTION 3 (25)**

Define shopping centres and discuss the valuation thereof with specific reference to types of shopping centres, the management of shopping centres, tenant types and the different approaches that can be used to determine the value of a shopping centre.

## **QUESTION 4 (50)**

When you value farmland there are factors that influence the prices of farmland in general and factors that influence the prices of farmland in a specific geographic area and not in another. Identify the specific geographic influences which may affect the value of farmland and explain the influence of these factors on the value of farmland in a specific area.

**TOTAL MARKS 150**